

DENMARK TECHNICAL COLLEGE

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2010

DENMARK TECHNICAL COLLEGE
Denmark, South Carolina
Organizational Data
Year Ended June 30, 2010

AREA COMMISSION MEMBERS AND OFFICERS

Mr. James Hayes, Chairman	Barnwell County
Mrs. Peggy Faust, Vice Chairperson	Bamberg County
Mr. Calvin Wright, Secretary	At Large
Mr. Leon Harden, Area Commissioner	Allendale County
Mrs. Sally Zeigler Fickling, Area Commissioner	Barnwell County
Mr. Thomas Lee Trantham	At Large
Mr. Robert Barnett, Representative of State Board for Technical and Comprehensive Education	Ex-Officio

Key Administrative Staff

Dr. Michael M. Townsend	President
Mr. Andreas Corley	Acting Vice President for Business Affairs
Dr. Ashok Kabisatpathy	Vice President for Planning, Research and Development
Dr. Vivian Gallman-DeRienzo	Vice President for Academic Affairs
Mrs. Michelle McDowell	Executive Dean of Student Services
Ms. Tonya Thomas	Dean of Enrollment Management
Mr. Stephen Mason	Dean of Continuing Education
Mr. Ralph Hanahan	Director of Information Resource Management

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA**

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MEMBERS:
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
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OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Area Commissioners
Denmark Technical College
Denmark, South Carolina

We have audited the accompanying financial statements of the business-type activities of Denmark Technical College as of and for the year ended June 30, 2010, which collectively comprise Denmark Technical College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Denmark Technical College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Denmark Technical College as of June 30, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010 on our consideration of Denmark Technical College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Area Commissioners
Denmark Technical College
September 29, 2010
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Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Denmark Technical College's basic financial statements. The accompanying supplementary information, as listed in the Table of Contents, and the accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Denmark Technical College.

Camp, Moring + Cannon, LLC

Columbia, South Carolina
September 29, 2010

DENMARK TECHNICAL COLLEGE
Management's Discussion and Analysis
June 30, 2010

As management of Denmark Technical College, we offer readers of the college's financial statements this narrative overview and analysis of the financial activities of the college for the fiscal year ended June 30, 2010. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The college's financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statements No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the college's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

Financial Highlights

- The assets of Denmark Technical College exceeded its liabilities at June 30, 2010 by \$9,238,038. Of this amount, \$5,378,407 may be used to meet the college's ongoing obligations from unrestricted activities.
- The college's net assets decreased by \$712,209, a net result of approximately \$0.83 million decrease in assets and an increase in liabilities of approximately \$.11 million. The decrease in total assets was the net difference between increases in cash of approximately \$265,000, increases in inventories and prepaid expenses of approximately \$102,000 and a decrease in accounts receivable of approximately \$1,109,600. The college collected on outstanding Federal Department of Education receivables from the prior year, which made up most of the decrease in accounts receivable. The college received interest income in excess of \$20,000 from investment of cash into a certificate of deposit during the year.
- Appropriations from the State declined by approximately \$320,000.
- Funding from Federal sources increased during the year by approximately \$1.9 million. This increase was primarily from two sources. Pell grants to students from the U. S. Department of Education increased by approximately \$1.3 million and approximately \$550,000 passed through the State from the Federal Government in State Fiscal Stabilization funds.
- The college did not have outstanding debt during the fiscal year.

Overview of the Financial Statements

The college is engaged only in Business-Type Activities (BTA) that are financed in part by fees charged to students for educational purposes. Accordingly, its activities are reported using the three financial statements required for proprietary funds: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements present financial information in a format similar to that used by the private sector.

STATEMENT OF NET ASSETS

The Statement of Net Assets provides a snapshot of the college's assets, liabilities and net assets at the end of the fiscal year. It provides the reader with information concerning the college's ability to continue its operations and to determine its financial stability. Assets and liabilities are separated into current, those that are due or to be paid within the current year and non-current, those that are longer term in nature. Net assets represents the difference between total assets and total liabilities and provides information, in part, concerning any amount available to be spent by the institution.

Net assets are divided into three major categories. The first, *invested in capital assets, net of related debt*, provides the equity in property, plant and equipment owned by the college. The next category, which is *restricted net assets*, can be defined as those net assets where constraints are placed on them either externally by creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation of the government itself. The college did not have restricted net assets for the fiscal year just ended. The final category of net assets is *unrestricted*. These funds may be used to meet the college's ongoing obligations from unrestricted activities.

The following schedule is a condensed version of the college's assets, liabilities and net assets and is prepared from the Statement of Net Assets.

Condensed Summary of Net Assets			
As of June 30, 2010 and 2009			
(in millions)			
	2010	2009	Increase (Decrease)
Current Assets	\$ 6.4	\$ 7.1	\$ (0.7)
Non-current Assets:			
Capital Assets, Net of Accumulated Depreciation	4.4	4.5	(0.1)
Total Assets	10.8	11.6	(0.8)
Current Liabilities	1.2	1.4	(0.2)
Non-current Liabilities	0.4	0.3	0.1
Total Liabilities	1.6	1.7	(0.1)
Net Assets:			
Investment in Capital Assets	3.9	4.6	(0.7)
Unrestricted	5.4	5.3	(0.1)
Total Net Assets	\$ 9.3	\$ 9.9	\$ (0.8)

Net assets may serve over time as a useful indicator of an entity's financial health. Assets exceed liabilities by \$9.9 million, a decrease of approximately \$0.7 million over the prior fiscal year. Analysis of revenues and expenses for the fiscal year provide details of the decrease.

Assets

Current assets, which are more liquid in nature, consist of cash and cash equivalents, investments, accounts receivable net of allowances, prepaid expenses and inventories. Current assets exceed current liabilities by a ratio of approximately 5 to 1. This shows ample liquidity to satisfy liabilities and results in a healthy financial condition for the college.

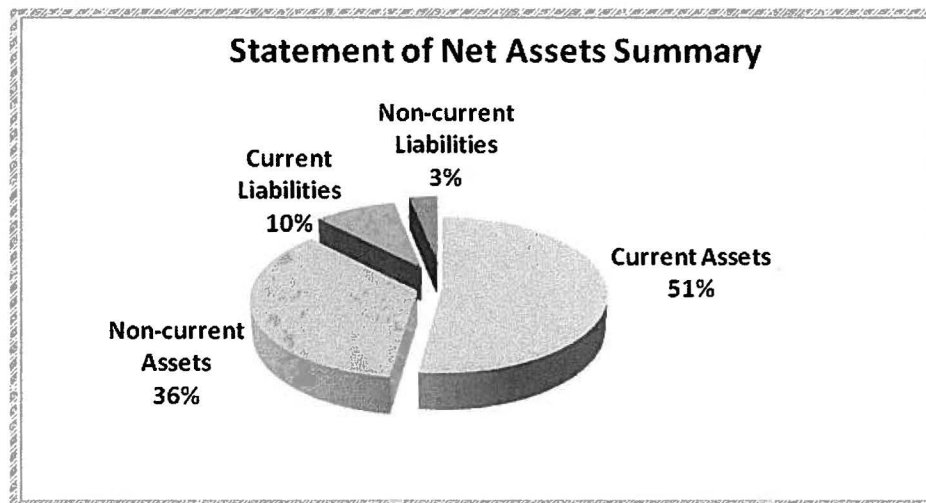
Current assets decreased by a net of \$0.7 million, an increase in cash and cash equivalents in the amount of \$264,876 offset by a decrease in accounts receivable of approximately \$1.1 million from grant sources over the prior fiscal year.

Capital Assets and Debt Administration

The college's investment in capital assets (land, buildings, machinery and equipment) reflects approximately \$4.4 million for the fiscal year, down slightly by \$83,000. Depreciation on assets exceeded the amount of capitalized items during the year, thereby causing a decrease in net assets. The college does not use debt to finance the acquisition of capital assets.

Liabilities

Current liabilities decreased by a net of \$0.2 million. This is due to payment of a Federal Liability from the prior year in the approximate amount of \$578,000, offset by an increase in deferred revenue for the Allied Health initiative of approximately \$310,000. Non-current liabilities, which is made up totally of the long term portion of compensated absences, increased by approximately \$62,500 over the prior year.



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents revenues earned and expenses incurred during the year in categories of operating and non-operating. Generally, operating revenues and expenses are those that are received and used to carry out the mission of the college; however, the college depends heavily on financial support from the state. This support is reflected as non-operating revenue based on governmental accounting standards; therefore, the college will always show an operating deficit and its dependence on state and local funding. Non-operating revenues and expenses offset the operating deficit and usually result in an overall increase in net assets for the year. In past years, Higher Education institutions have treated Pell Grants to students as operating grants. However, in accordance with GASB the State Comptroller General Office has revised its policy and is now requiring Pell grants to be reported as non-operating.

Operating Results

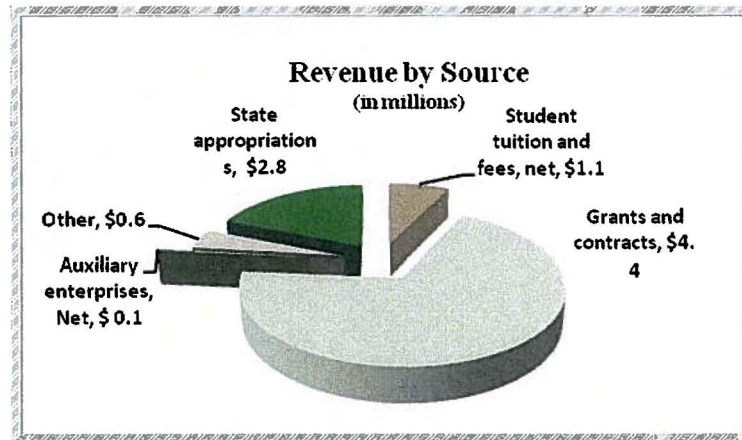
A summary of the college's operating results for the fiscal year is presented below.

Operating Results for the Fiscal Year Ended June 30, 2010 and June 2009 (in millions)			
REVENUES	2010	2009	Increase (Decrease)
Operating Revenues:			
Student tuition and fees, net	1.1	1.2	(0.1)
Grants and contracts	4.5	5.6	(1.1)
Auxiliary enterprises, Net	0.1	0.7	(0.6)
Other	0.4	0.2	0.2
	6.1	7.7	(1.7)
Less Operating Expenses	15.7	16.8	(1.1)
Net Operating Loss	(9.6)	(9.0)	(0.6)
Non-operating Revenue:			
State appropriations	2.8	3.1	(0.3)
Grants and contracts	5.9	4.0	(1.9)
Other	0.2	0.2	0.0
Total Non-operating Revenue	8.9	7.4	1.5
 Decrease in net assets	 (0.7)	 (1.6)	 (0.9)
Net assets, beginning of year	9.9	11.5	(1.6)
Net assets, end of year	9.2	9.9	(0.7)
 Total Revenue	 15.0	 15.1	 (0.1)

Revenue

Total revenue for June 30, 2010 decreased slightly more than \$100,000 from the prior fiscal year. Decreases occurred in state and county funding of approximately \$320,000 and \$4,000 respectively during the fiscal year. Increases occurred in Federal grants revenue that includes Pell and NNSA, and were offset by decreases in Title III revenue during the year.

Sources of revenue and corresponding amounts are shown in millions in the following chart.

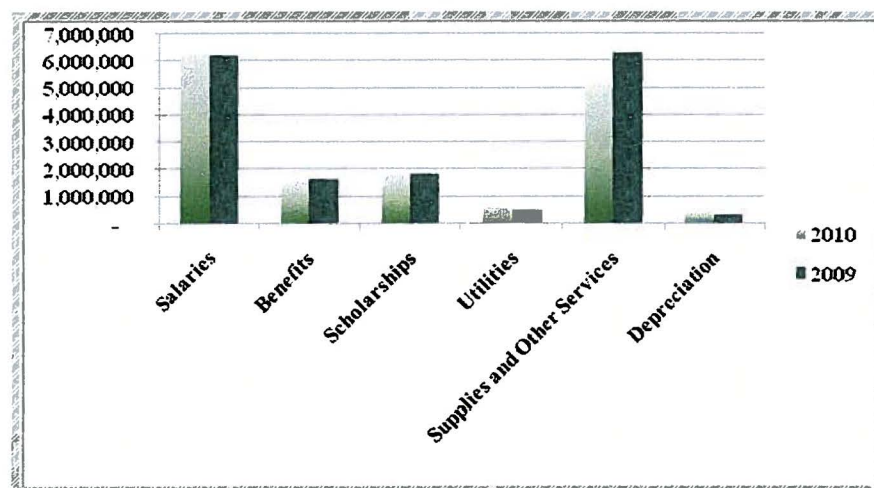


Expenses

Operating expenses for the fiscal year total \$15.7 million, down by \$1.1 million over the prior fiscal year. The most significant change occurred in the contractual area of Supplies and Other Services.

A comparison of operating expenses by classification may be found in the following chart.

Operating Expenses by Classification



STATEMENT OF CASH FLOWS

The Statement of Cash Flows is the final statement to be presented. It presents detailed information about the cash activity of the College during the year and provides the reader with the sources and uses of cash by the major categories of operating, non-capital financing, capital and related financing, and investing activities. This statement will always show a net loss of cash in the section "Cash Flows from Operating Activities" due to the College's dependence on state and local appropriations.

The statement is divided into five parts. The first section reflects the operating cash flows and identifies the net cash used by the operating activities of the College. The second section reflects cash flows from non-operating financing activities. This section shows the cash received and spent for non-operating, non-investing, and non-capital financing activities. The third section expresses cash flows from capital and related financing activities and highlights the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The final section reconciles the net cash used to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets.

Cash decreased by approximately \$2.6 million from last year. This decrease is essentially due to the college's decision to move funds that are not needed for immediate operating purposes into a certificate of deposit account. The result of this decision may be seen as a net increase of \$ 2.8 million in Cash Flow from Investing Activities, which is identified in that section of the statement.

Economic Factors

The economic condition of the college is dependent to a large degree on that of the state and local governments. The current recession has impacted the college through reductions in state funding for current operations. The college receives approximately 19 percent of its total revenue from state sources, down from the 21 percent received during the prior fiscal year. This reduction amounted to approximately \$300,000. The college received only \$2,500 from county sources during the fiscal year, which is \$4,000 less than the \$6,500 received in the prior fiscal year.

DENMARK TECHNICAL COLLEGE

Statement of Net Assets

June 30, 2010

ASSETS

Current Assets:

Cash and cash equivalents	\$ 842,066
Investments	2,851,889
Accounts receivable, Net	2,436,410
Inventories	252,779
Prepaid expenses	<u>8,264</u>

Total Current Assets	6,391,408
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Non-current Assets

Restricted cash and cash equivalents	398
Restricted student loans receivable	24,663
Capital assets, net of accumulated depreciation	<u>4,418,774</u>

Total Non-current Assets	<u>4,443,835</u>
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Total Assets	10,835,243
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LIABILITIES

Current Liabilities:

Accounts payable	232,379
Accrued payroll and related liabilities	122,799
Deferred revenue and deposits	650,119
Funds held for others	129,211
Compensated absences payable, current portion	44,070
Federal liability	<u>25,060</u>

Total Current Liabilities	1,203,637
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Non-current Liabilities:

Compensated absences payable, long-term portion	<u>393,568</u>
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Total Non-current Liabilities	<u>393,568</u>
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Total Liabilities	<u>1,597,205</u>
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NET ASSETS

Invested in capital assets	3,859,631
Unrestricted	<u>5,378,407</u>

Total Net Assets	\$ <u>9,238,038</u>
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The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010

REVENUES**Operating Revenues:**

Student tuition and fees (net of scholarship allowances of \$2,200,175)	\$ 1,080,916
Federal grants and contracts	3,818,083
State grants and contracts	685,958
Sales and services of educational departments	303
Auxiliary enterprises (net of scholarship allowances of \$1,577,094)	75,603
Other operating revenues	420,422

Total Operating Revenues

6,081,283

EXPENSES**Operating Expenses**

Salaries	6,249,281
Benefits	1,518,568
Scholarships	1,760,614
Utilities	612,533
Supplies and other services	5,121,299
Depreciation	422,847

Total Operating Expenses

15,685,142

Operating Income (Loss)

(9,603,859)

Non-Operating Revenues (Expenses)

State appropriations	2,827,116
County appropriations	2,500
Interest income	22,302
Federal grants and contracts	5,749,630
State and local grants and contracts	89,518
Capital appropriations	6,516
Student capital fees (net of scholarship allowances of \$318,911)	200,360
Other non-operating revenues (expenses)	(6,291)

Increase (Decrease) in Net Assets

(712,209)

Net Assets – Beginning of Year

9,950,247

Net Assets – End of Year

\$ 9,238,038

The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE**Statement of Cash Flows****Year Ended June 30, 2010****CASH FLOWS FROM OPERATING ACTIVITIES**

Student tuition and fees (net of scholarship allowances)	\$ 1,064,495
Federal, State and Local grants and contracts	4,689,690
Auxiliary enterprises charges (net of scholarship allowances)	75,603
Sales and services of educational departments	303
Other receipts	419,379
Payments to vendors	(8,181,829)
Payments to employees	(7,730,027)
Net Cash Used by Operating Activities	<u>(9,662,386)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	2,827,116
County appropriations	2,500
Other non-operating revenue	356
Funds held for others	19,121
Non-operating, federal, state and local grants and contracts	<u>7,147,446</u>
Net cash provided by noncapital and related financing activities	<u>9,996,539</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State appropriations	53,806
Student capital fees (net of scholarship allowances)	<u>200,360</u>
Purchase of capital assets	<u>(345,744)</u>
Net cash provided by capital and related financing activities	<u>(91,578)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(2,851,890)
Interest on investments	<u>22,302</u>
Net cash provided by investing activities	<u>(2,829,588)</u>

Net decrease in cash	(2,587,013)
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Cash – Beginning of year	<u>3,429,477</u>
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Cash – End of year	<u>\$ 842,464</u>
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Reconciliation of net operating revenues (expenses) to net cash used by operating activities

Operating expenses over revenue	\$ (9,603,859)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	422,847
Change in assets and liabilities:	
Receivables, net	(172,470)
Inventories	(96,148)
Prepaid expenses	(5,521)
Accounts payable	21,606
Accrued payroll and related liabilities	(16,213)
Deferred revenue and deposits	310,534
Compensated absences	54,036
Federal liability	<u>(577,198)</u>

Net cash used by operating activities	<u>\$ (9,662,386)</u>
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The accompanying notes are an integral part of these financial statements.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations: Denmark Technical College (the “College”), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Allendale, Bamberg, and Barnwell counties. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula that are consistent with the needs of employers in the College’s service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

B. Reporting Entity:

The financial reporting entity, as defined by the Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Denmark Technical College, as the primary government. Denmark Technical College has determined that it is not a component of another entity, and it has no component units. The College is part of the primary government of the State of South Carolina.

C. Financial Statements: The financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College’s assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows that replaces the fund-group perspective previously required.

D. Basis of Accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

E. Cash and Cash Equivalents: For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

F. Investments: Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds." *GASB Statement No. 40, Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The college accounts for its investments at fair value in accordance with *GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

G. Accounts Receivable: Accounts receivable consists of tuition and fee charges to students, gift pledges and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

H. Inventories: Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

I. Capital Assets: Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions, renovations, and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

J. Deferred Revenues and Deposits: Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned. Total deferred revenues at June 30, 2010 amounted to \$650,119.

Deposits represent dormitory room deposits, security deposits for possible room damage and key loss, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement. Student deposits at June 30, 2010 totaled \$5,750.

K. Compensated Absences: Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of long-term liabilities in the statement of net assets and as a component of benefit expenses in the statement of revenues, expenses, and changes in net assets.

L. Net Assets: The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

M. Income Taxes: The College is exempt from income taxes under the Internal Revenue Code.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

N. Classification of Revenues: The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

O. Sales and Services of Educational and Other Activities: Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The College receives such revenues primarily from its Cosmetology department.

P. Auxiliary Enterprises and Internal Service Activities: Auxiliary enterprise revenues primarily represent revenues generated by bookstores and food services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of college departments have been eliminated.

Q. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and affect disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual results could differ from those estimates. Significant estimates inherent in the preparation of financial statements include estimates of the allowance for uncollectible accounts and useful lives of depreciable assets.

NOTE 2 - STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2010:

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

NON-CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	\$ 2,827,116
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Total non-capital appropriations recorded as current year revenue	<u>\$ 2,827,116</u>
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CAPITAL APPROPRIATIONS

Appropriations per State Board Allocation	\$ 6,516
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Total capital appropriations recorded as current year revenue	<u>\$ 6,516</u>
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NOTE 3—CASH, DEPOSITS, AND INVESTMENTS

DEPOSITS

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that the college will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails. The College's policy concerning credit risk permits the College President to invest surplus funds in approved financial institutions' investment accounts. The College has contracted with a local financial institution to collateralize all deposits in excess of federally insured amounts with securities held in the College's name.

The cash and cash equivalent deposits of \$1,209,194 for Denmark Technical College at June 30, 2010, were insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the College's custodial bank in the College's name.

Restricted cash includes \$398 held for the Federal government under the Perkins Loan program.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Denmark Technical College does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the college is not exposed to this risk.

The College is authorized, by the South Carolina Code of Laws, Title 6, Chapter 5, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized repurchase agreements. The college had no investment activity during the year ended June 30, 2010.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

INVESTMENTS

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The College's investment at June 30, 2010 consisted of a collateralized bank certificate of deposit of \$2,851,889 yielding 1.5 % maturing July 8, 2010. Subsequent to year end, this Certificate and the accumulated earnings were reinvested for 6 months yielding 1.2%.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the college will not be able to recover the investment's value or collateral securities that are in the possession of the outside party. The College does not have a formally adopted policy on custodial credit risk.

The College's investment in a bank collateralized certificate of deposit at June 30, 2010 was held by the College. The College recognized no losses due to the default by counterparties to investment transactions.

Credit Risk

Credit Risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The College does not have a formally adopted policy on credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College does not have a formally adopted policy on concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, there by affording potential purchasers more favorable rates on essentially equivalent securities. The College does not have a formally adopted policy concerning interest rate risk.

Foreign Currency Risk

The College does not maintain deposits that are denominated in a currency other than the United States dollar, therefore the College is not exposed to this risk.

The following schedule reconciles cash and investments reported on the Statement of Net Assets to footnote disclosure provided for deposits and investments.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

Statement of Net Assets:

Cash and Cash Equivalents	\$ 842,066
Investments	2,851,889
Restricted Cash and Cash Equivalents	<u>398</u>
Total Statement of Net Assets:	<u><u>\$ 3,694,353</u></u>

Disclosure, Cash, Deposits and Investments:

Carrying value of deposits:	
Not Held by State Treasurer	\$ 842,314
Investment not held by State Treasurer	2,851,889
Cash on hand	<u>150</u>
Total Disclosure, Cash, Deposits and Investments	<u><u>\$ 3,694,353</u></u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010, including applicable allowances, were as follows:

Receivables:

Student Accounts	\$ 250,644
Other Accounts	246,787
Due from Federal and Other Grantors	<u>2,152,155</u>
Gross Receivables	<u>2,649,586</u>

Less: Allowance for Uncollectibles:

Student Accounts	<u>213,176</u>
Total Allowances for Uncollectibles	<u>213,176</u>
Receivables, net	<u><u>\$ 2,436,410</u></u>

Net Noncurrent Receivables:

Loans and Loans–Restricted	<u>\$ 24,663</u>
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Total Noncurrent Receivables, net	<u><u>\$ 24,663</u></u>
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Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2010, the allowance for uncollectible student accounts is valued at \$ 213,176.

NOTE 5—LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2010. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. These loans are classified as long-term loans receivable. As the College determines that loans are uncollectible, the loans are written off and assigned to the US Dept of Education.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 6—CAPITAL ASSETS

	Beginning Balance June 30, 2009	Increases	Decreases	Ending Balance June 30, 2010
Capital assets not being depreciated:				
Land and improvements	\$ 174,020	\$ -	\$ -	\$ 174,020
Construction in progress	-	-	-	-
Total capital assets not being depreciated	174,000	-	-	174,020
Other capital assets:				
Buildings and improvements	7,474,368	-	-	7,474,368
Machinery, equipment, and other	2,146,965	380,182	149,022	2,378,125
Vehicles	570,155	51,062	-	621,217
Intangibles	151,286	-	-	151,286
Total other capital assets at historical cost	10,342,774	431,244	149,022	10,624,996
Less accumulated depreciation for:				
Buildings and improvements	3,693,797	143,225	-	3,837,022
Machinery, equipment, and other	1,632,102	315,266	142,377	1,804,991
Vehicles	537,085	49,858	-	586,943
Intangibles	151,286	-	-	151,286
Total accumulated depreciation	6,014,270	508,349	142,377	6,380,242
Other capital assets, net	4,328,504	(77,105)	6,645	4,244,754
Capital Assets, Net	\$ 4,502,524	\$ (77,105)	\$ 6,645	\$4,418,774

NOTE 7—PENSION PLAN(S)

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of Denmark Technical College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

From July 1, 1988 to June 30, 2005 employees participating in the SCRS were required to contribute 6.0 percent of all compensation. On July 1, 2005, the required employee contribution increased to 6.25 percent. On July 1, 2006, the required employee contribution increased to 6.50 percent. Effective July 1, 2007, the employer contribution rate became 12.48 percent which included a 3.42 percent surcharge to fund retiree health and dental insurance coverage. Effective July 1, 2008, the employer contribution rate became 12.89 percent which included a 3.5 percent surcharge. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2010, 2009, and 2008, were \$447,578, \$451,613, and \$472,381, respectively, and equaled the required contributions of 9.06 percent (excluding the surcharge) for fiscal year 2008, and 9.24 percent (excluding the surcharge) for fiscal years 2009 and 2010. Also, the College paid employer group-life insurance contributions of \$7,266 in the current fiscal year at the rate of .15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 13.72 percent which, as for the SCRS, included the 3.42 percent surcharge. Effective July 1, 2008, the employer contribution rate became 14.55 percent, including a surcharge of 3.5 percent. The College's actual contributions to the PORS for the years ending June 30, 2010, 2009, and 2008, were \$21,255, \$15,532, and \$17,709, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for 2008, and 10.65 percent (excluding the surcharge) for 2009 and 2010. Also, the

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

College paid employer group-life insurance contributions of \$399 and accidental death insurance contributions of \$399 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.24 percent plus the retiree surcharge of 3.5 percent from the employer in fiscal year 2010.

Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the fiscal year, total contribution requirements to the ORP were \$10,823 (excluding the surcharge) from the College as employer and \$7,614 from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$176 in the current fiscal year at the rate of .15 percent of compensation.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2005, employees who choose to participate in the TERI Program will be required to make SCRS contributions. Due to the South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI Program, prior to July 1, 2005 will not be required to make SCRS contributions.

SCRS employer contribution will increase by 0.4% effective July 1, 2010.

NOTE 8—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$390,801 for the year ended June 30, 2010. As discussed in Note 8, the College paid \$180,622 applicable to the 3.5% surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the College retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 9—CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation, and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2010, the College had no remaining commitment balances with certain property owners, engineering firms, construction contractors, and vendors related to these projects. The College anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees, and state capital improvement bond proceeds.

NOTE 10—LEASE OBLIGATIONS

Operating Leases

The College's noncancelable operating leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Operating lease payments during the fiscal year ended June 30, 2010, totaled \$20,743 to other State agencies, and \$145,835 to external parties. The operating lease payments to external parties included \$4,601 in contingent rental payments and \$141,234 in minimum rental payments.

<u>Year Ended June 30,</u>	<u>Operating Leases with other State agencies and blended component units</u>	<u>Operating Leases with discretely presented component units</u>	<u>Operating Leases with External Parties</u>
2011	\$ 5,186	\$ -	\$ 135,218
2012	-	-	128,254
2013	-	-	89,059
2014	-	-	26,057
2015	-	-	12,355
Total Minimum Payments	\$ 5,186	\$ -	\$ 390,943

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 11—LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 was as follows:

	July 1, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
Accrued Compensated Absences	\$ 383,602	\$ 11,169	\$ (65,205)	\$ 437,638	\$ 44,070
Total Long-Term Liabilities	\$ 383,602	\$ 11,169	\$ (65,205)	\$ 437,638	\$ 44,070

NOTE 12 – RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Management reviewed its relationship with Denmark Technical College Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB 39. The College excluded this organization from the reporting entity because it is not financially accountable for it, and the Foundation's assets are not significant to the college's overall assets.

Following is a more detailed discussion of the Foundation and a summary of significant transactions between the Foundation and the College for the year ended June 30, 2010.

The Denmark Technical College Foundation

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors.

During the year ended June 30, 2010, the Foundation was inactive and there were no transactions between the College and the Foundation. The Foundation's assets as of June 30, 2010 were \$45,186. There are no receivables or payables between the College and the Foundation as of June 30, 2010.

NOTE 13 – RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 14—OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2010, are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$2,571,233	\$577,845			\$816,664		\$ 3,965,742
Academic Support	926,414	245,792			879,018		2,051,224
Student Services	888,599	194,365			170,478		1,253,442
Operation and Maintenance of Plant	583,014	152,162		485,842	1,069,953		2,290,971
	1,053,199	299,456			889,308		2,241,963
Institutional Support							
Scholarships			1,760,614				1,760,614
Auxiliary Enterprises	226,822	48,948		126,691	1,295,878		1,698,339
Depreciation	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>422,847</u>	<u>422,847</u>
Total Operating Expenses	<u>\$ 6,249,281</u>	<u>\$1,518,568</u>	<u>\$1,760,614</u>	<u>\$ 612,533</u>	<u>\$ 5,121,299</u>	<u>\$ 422,847</u>	<u>\$15,685,143</u>

DENMARK TECHNICAL COLLEGE
Notes to the Financial Statements
June 30, 2010

NOTE 15- STATEMENT OF ACTIVITIES

The following information is required by the Office of the Comptroller General for the State of South Carolina's comprehensive annual financial report:

	<u>2010</u>	<u>2009</u>	<u>Increase/ (Decrease)</u>
Charges for services	\$ 6,081,283	\$ 7,745,629	\$(1,664,346)
Operating grants & contributions	7,482,438	4,219,699	3,262,739
Less: expenses	<u>(15,685,143)</u>	<u>(16,753,232)</u>	<u>1,068,089</u>
Net program revenue (expense)	(2,121,422)	(4,787,904)	2,666,481
Transfers:			
State appropriation	2,827,116	3,146,789	(319,673)
Capital improvement bond proceeds	<u>6,516</u>	<u>51,685</u>	<u>(45,169)</u>
Total general revenue and transfers	<u>2,833,632</u>	<u>3,198,474</u>	<u>(364,842)</u>
Change in net assets	(712,210)	(1,589,430)	2,301,640
Net assets - beginning	<u>9,950,247</u>	<u>11,539,677</u>	<u>(1,589,430)</u>
Net assets - ending	<u>\$ 9,238,037</u>	<u>\$ 9,953,247</u>	<u>\$ (712,210)</u>

NOTE 16 - TRANSACTIONS WITH OTHER AGENCIES

The College had significant transactions with the State of South Carolina and various agencies.

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; check preparation, banking, bond trustee, and investment services from the State Treasurer; and legal services from the Attorney General.

Other services received at no cost from the various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, grant services, personnel management, assistance in the preparation of the State Budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

DENMARK TECHNICAL COLLEGE
Schedule of Expenditures of Federal Awards
As of June 30, 2010

<u>Federal Grantor/Program Title/Grant Title</u>	<u>CFDA Number</u>	<u>Grant/Contract/FAR Number</u>	<u>Expenditures for 09/10 FY</u>
U.S. DEPARTMENT OF EDUCATION			
STUDENT FINANCIAL ASSISTANCE CLUSTER			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	2009-2010	\$ 138,446
Federal Work-Study Programs (FWS)	84.033	2009-2010	190,973
Federal Pell Grant Program (Pell)	84.063	2009-2010	5,202,337
Federal Academic Competitiveness	84.375	2009-2010	6,000
Department of Energy Environmental Management	81.502	2009-2010	76,270
Total Student Financial Assistance Cluster			<u>5,614,026</u>
HIGHER EDUCATION INSTITUTIONAL AID			
Title III - Strengthening Institutions	84.031	2005-2006	2,768
Title III - Strengthening Institutions	84.031	2008-2009	947,841
Title III - Strengthening Institutions	84.031	2009-2010	<u>1,487,430</u>
Total Title III - Strengthening Institutions			<u>2,438,039</u>
<u>Passed through the South Carolina Department of Education:</u>			
Vocational Education - Basic Grants to States (Perkins IV)	84.048	06VA405	130,568
WIA Federal Incentive Grant - Quick Skills SC Project	17.267	2009-2010	<u>23,099</u>
			<u>153,667</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>8,205,733</u>
U.S. DEPARTMENT OF ENERGY-NATIONAL NUCLEAR SECURITY			
ADMINISTRATION (NNSA)			
NNSA Minority Serving Institutions Program	81.123	2009-2010	<u>814,687</u>
TOTAL U.S. DEPARTMENT OF ENERGY			<u>814,687</u>
Fiscal Stabilization Fund			
<u>Passed through the State of South Carolina:</u>			
Fiscal Stabilization Fund	84.394	2009-2010	<u>547,292</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>547,292</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,567,712</u>

NOTES:

Significant Accounting Policies - This schedule was prepared on the accrual basis of accounting. Revenue is recognized only to the extent expenditures are incurred during the fiscal year.

Student Loans - Guaranteed student loans in the amount of \$1,603,890 were distributed to students during the 2009 fiscal year. The balance of the Perkins Loans receivable at June 30, 2010 was \$95,897.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Area Commissioners
Denmark Technical College
Denmark, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denmark Technical College as of and for the year ended June 30, 2010, which collectively comprise the College's basic financial statements and have issued our report thereon dated September 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denmark Technical College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Denmark Technical College in a separate letter dated September 29, 2010.

This report is intended solely for the information and use of the Area Commissioners, management, others within the College, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Camp, Moring + Cannon, LLC

Columbia, South Carolina
September 29, 2010

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Area Commissioners
Denmark Technical College
Denmark, South Carolina

Compliance

We have audited the compliance of Denmark Technical College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Denmark Technical College's major federal programs are identified in the summary of the auditors' result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Denmark Technical College's management. Our responsibility is to express an opinion on Denmark Technical College's compliance and other matters based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Denmark Technical College's compliance and other matters with those requirements.

In our opinion, Denmark Technical College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Denmark Technical College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Denmark Technical College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we considered to be significant deficiencies. A significant deficiency is a control deficiency, or combination of control deficiencies, in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the College's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of the Area Commissioners, management, others within the College, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Camp, Moring + Cannon, LLC

Columbia, South Carolina
September 29, 2010

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Summary of Auditors' Results:

1. The audit report issued on the financial statements was unqualified.
2. The audit did not disclose any material weaknesses in internal control related to the financial statements which are reported in the report on compliance and other matters and on internal control over financial reporting required by *Government Auditing Standards*.
3. The audit did not disclose any significant deficiencies in internal control related to the financial statements which are reported in the report on compliance and other matters and on internal control over financial reporting required by *Government Auditing Standards*.
4. The audit did not disclose any instances of noncompliance material to the financial statements of Denmark Technical College were disclosed during the audit.
5. The audit did not disclose any material weaknesses relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
6. The audit did not disclose any significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
7. The report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 was unqualified.
8. The audit did not disclose any audit findings specifically related to major programs.
9. The College's major programs are:
 - a. Student Financial Assistance Cluster (84.007/84.033/84.063/84.375/81.502)
 - b. Title III – Strengthening Institutions (84.031)
 - c. NNSA Minority Serving Institutions Program (81.123)
 - d. Fiscal Stabilization Fund (84.394)
10. \$300,000 was used as the threshold amount to distinguish between Type A and Type B programs.
11. Denmark Technical College did not qualify as a low risk auditee.

Generally Accepted Governmental Auditing Standards Findings and Questioned Costs:

None

**DENMARK TECHNICAL COLLEGE
DENMARK, SOUTH CAROLINA
DISPOSITION OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

The following findings for the year ended June 30, 2009 were reviewed during the June 30, 2010 year end:

Finding 09-1: Accounts Receivable and Revenue

Condition: Our audit procedures disclosed inadequate support and reconciliation of the accounts receivable balances as of the audit start date.

Corrective Action Taken: The reconciliation process with the business office and the grant office (Financial Aid) is done throughout the year.

Finding 09-2: Late Refunds

Condition: Several refunds due back for Title IV funds were not paid back within the required forty-five (45) day period. However, the refunds were returned by the end of the fiscal year.

Corrective Action Taken: The College and management places the highest priority on making refund payments within the required due date and follow procedures implemented.

Finding 09-3: Draw Downs of Title III Grant Not Appropriate

Condition: An excessive amount of the Title III grant was drawn down.

Corrective Action Taken: Procedures were implemented for accounting for the Title III grant. The expenditures were accumulated and approved before requesting reimbursement from the grant.

Finding 09-4: Procurement Policies Not Being Followed:

Condition: Disbursements over \$2,500.00 require bids before purchasing. During the audit, large purchases from two vendors were in excess of \$2,500.00. On one invoice reviewed a "sole source" requisition was attached and on one invoice an "emergency purchase" requisition was attached. On all other invoices nothing was attached. A "sole source" requisition should be accompanied by a written explanation as to why no other will be suitable or acceptable to meet this need. Additionally, emergency requisitions are suitable only when there exists an immediate threat to public health, welfare, critical economy and efficiency. A written determination of the basis for the emergency and the selection for a particular contractor shall be included in the contract file.

Corrective Action Taken: The SC Technology System has procurement procedures in place. The college is now following these procedures.

Finding 09-5: Reconciliation of Cash to the General Ledger:

Condition: Although the cash accounts were being reconciled to the bank, the reconciliation was not being performed in the Datatel system. The reconciliation of cash in the system helps identify errors on a timely basis. All general ledger accounts in the Datatel system should be reconciled with the subsidiary ledgers.

Corrective Action Taken: The College is now reconciling all cash and/or subsidiary accounts to the Datatel system on a monthly basis and review any discrepancies.

Finding 09-6: Repayment of Federal Funds:

Condition: During the audit it was discovered that the College was required to repay Federal student loans for fiscal years 2008-2009 and 2007-2008. The reasons for repaying the student loans were for using the "wrong forms" and for "mismatched retest forms". The total amount repaid was \$535,458.00.

Corrective Action Taken: The Financial Aid office reviews all student financial aid applications and receipts.

Finding 09-7: Excessive Use of Journal Entries:

Condition: The Datatel system has procedures for the entry of the accounting transactions. Following the accounting procedures provides a good way of tracking the transactions through the system. Using journal entries to make the accounting entries can blur the tracking and the audit trail.

Corrective Action Taken: The accounting system that is in place is now being used to record accounting transactions.

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To the Board of Trustees
Denmark Technical College
Denmark, South Carolina

As part of our examination of the financial statements of Denmark Technical College as of and for the year ended June 30, 2010, we reviewed the administrative procedures and internal controls related to the State Lottery Tuition Assistance Program to determine that the College administered the program in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

We reviewed the individual files maintained in the financial aid office of each applicant selected to determine that they contained all necessary information and documentation to determine eligibility. We also determined that any lottery tuition assistance awarded did not exceed the remaining cost of tuition and academic fees for the applicable semester after first applying Pell, FSEOG, SC Need-Based, and other applicable grants.

All students who applied for assistance under the Lottery Tuition Assistance Program were awarded financial aid. As a result, we did not select a sample of students deemed ineligible for the Lottery Tuition Assistance Program for purposes of determining that the students were granted the right to appeal the decision by submitting a written request to the institution's financial aid procedures.

For students awarded aid under the Lottery Tuition Assistance Program, we traced amounts to the student account detail to determine that the awarded amounts were identifiably credited to the students' accounts.

The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

In our opinion, the State Lottery Tuition Assistance Program has been administered in accordance with State law and Policy 3-2-307 and Procedure 3-2-307.1 of the State Board for Technical and Comprehensive Education.

This report is intended solely for the information and use of the Board of Trustees, management, others within the College, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Columbia, South Carolina
September 29, 2010